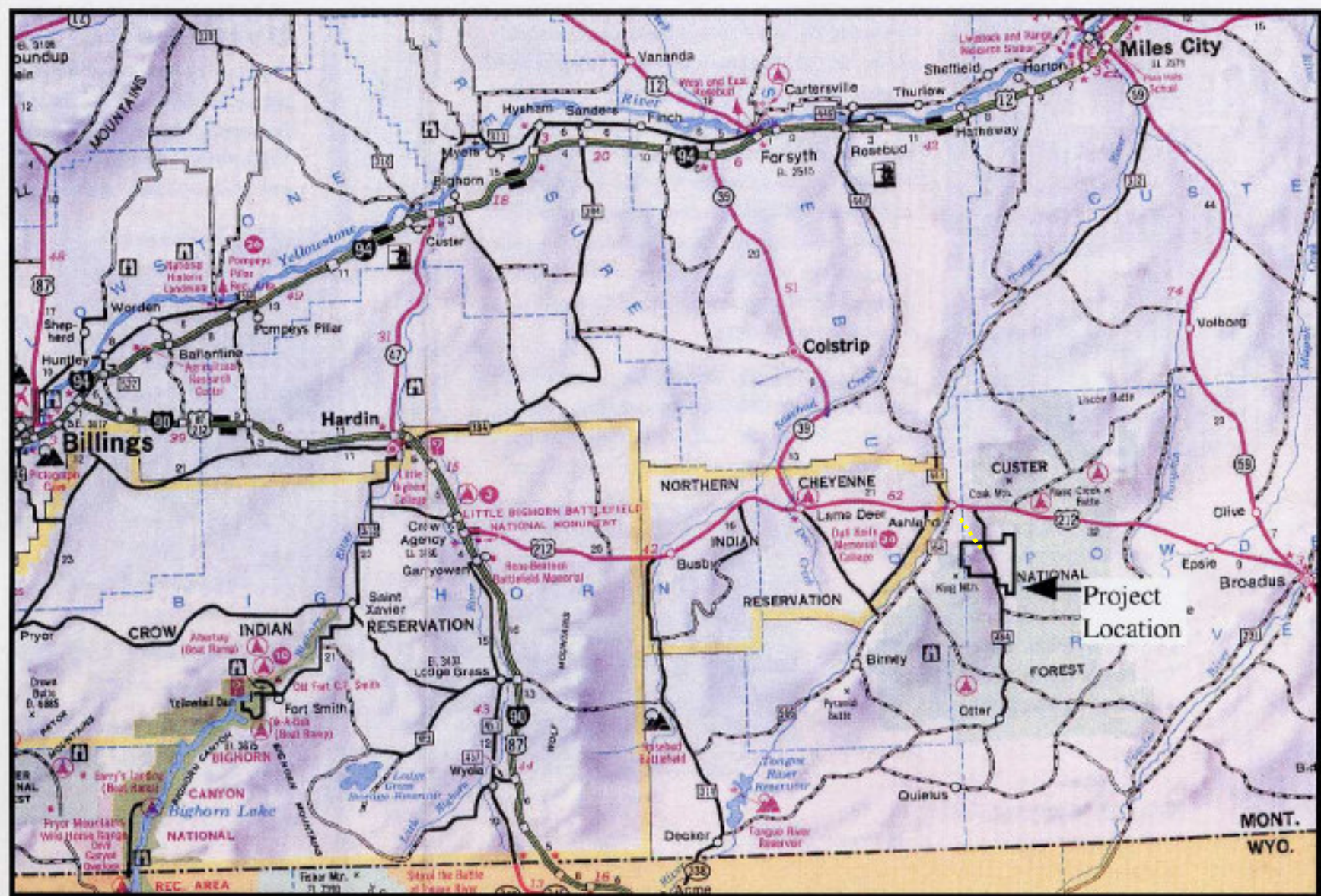


Otter Creek Project

Montana Coal Council

Annual Convention

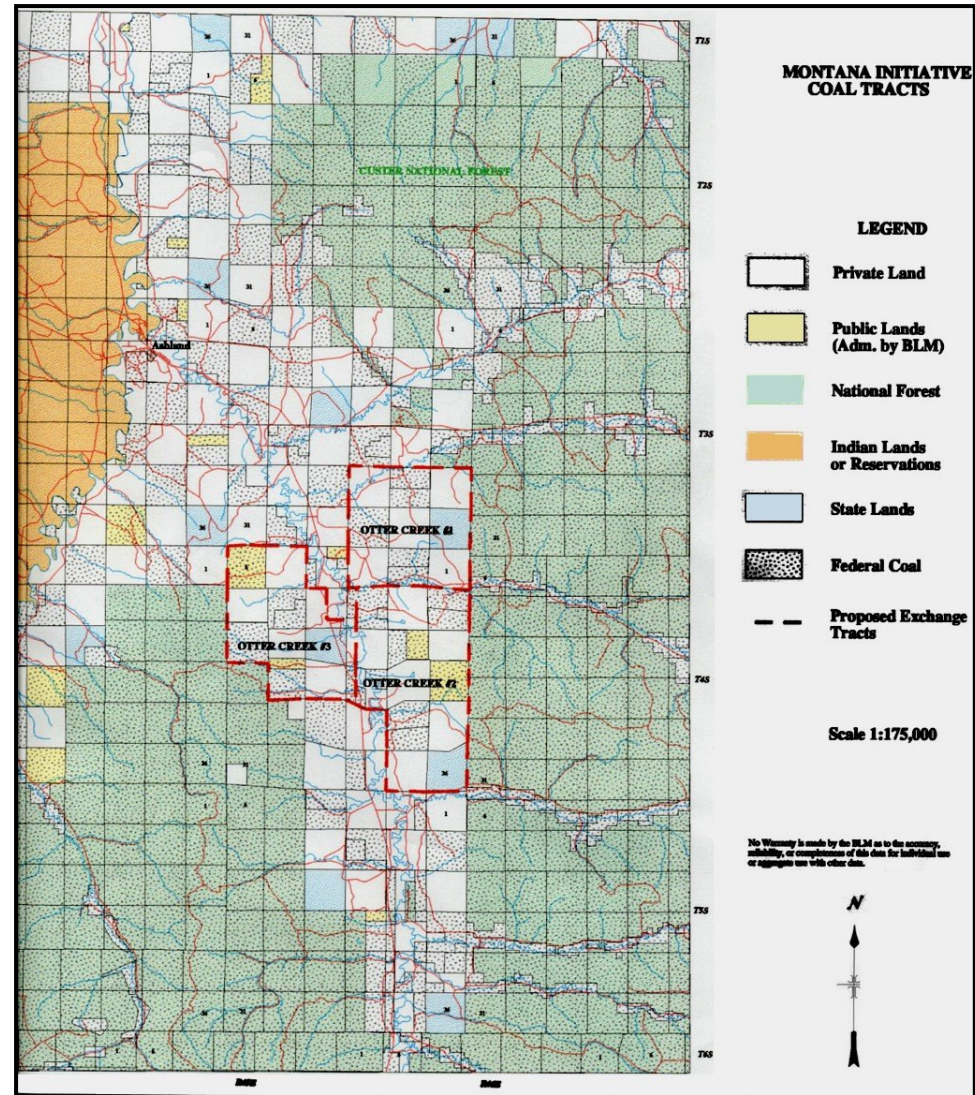
July 25, 2006



Otter Creek Vicinity Map

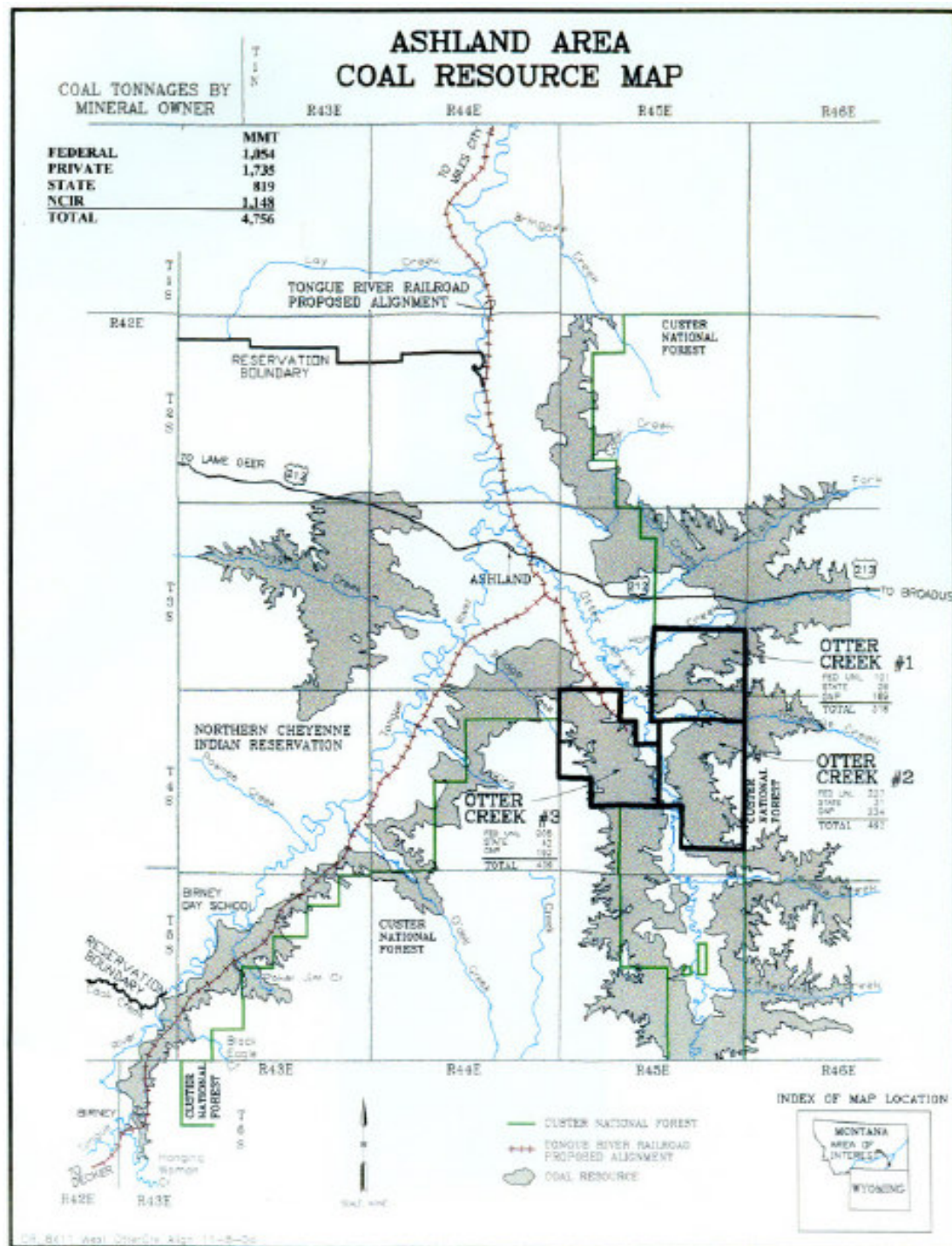
Otter Creek Coal Tracts – Powder River County

- State received 7,623 acres of Fed minerals in May 2002 to offset Fed buyout of Crown Butte. This brings State's total coal ownership to over 9,500 acres. Potential State reserves of 700 million tons. Located 60 miles south of Rosebud, MT
- Checkerboard ownership with Great Northern Properties (GNP) owning the alternating tracts. DNRC & GNP pursuing coordinated evaluation and leasing per MOA.
- In 2003-04, DNRC completed an initial cultural inventory and acquired additional coal log and core data. Funding from 2003 Legislature. DNRC & GNP completed a property resource study in July 2006. This study encompasses new & existing data, allowing the most detailed analysis yet of the Otter Creek property.
- Potential markets: Upper midwest: requires Tongue River Railroad and market for higher sodium coal. Local (coal to electricity or coal to liquids): requires plant & delivery infrastructure.



Coal Resource – Northern Powder River Basin

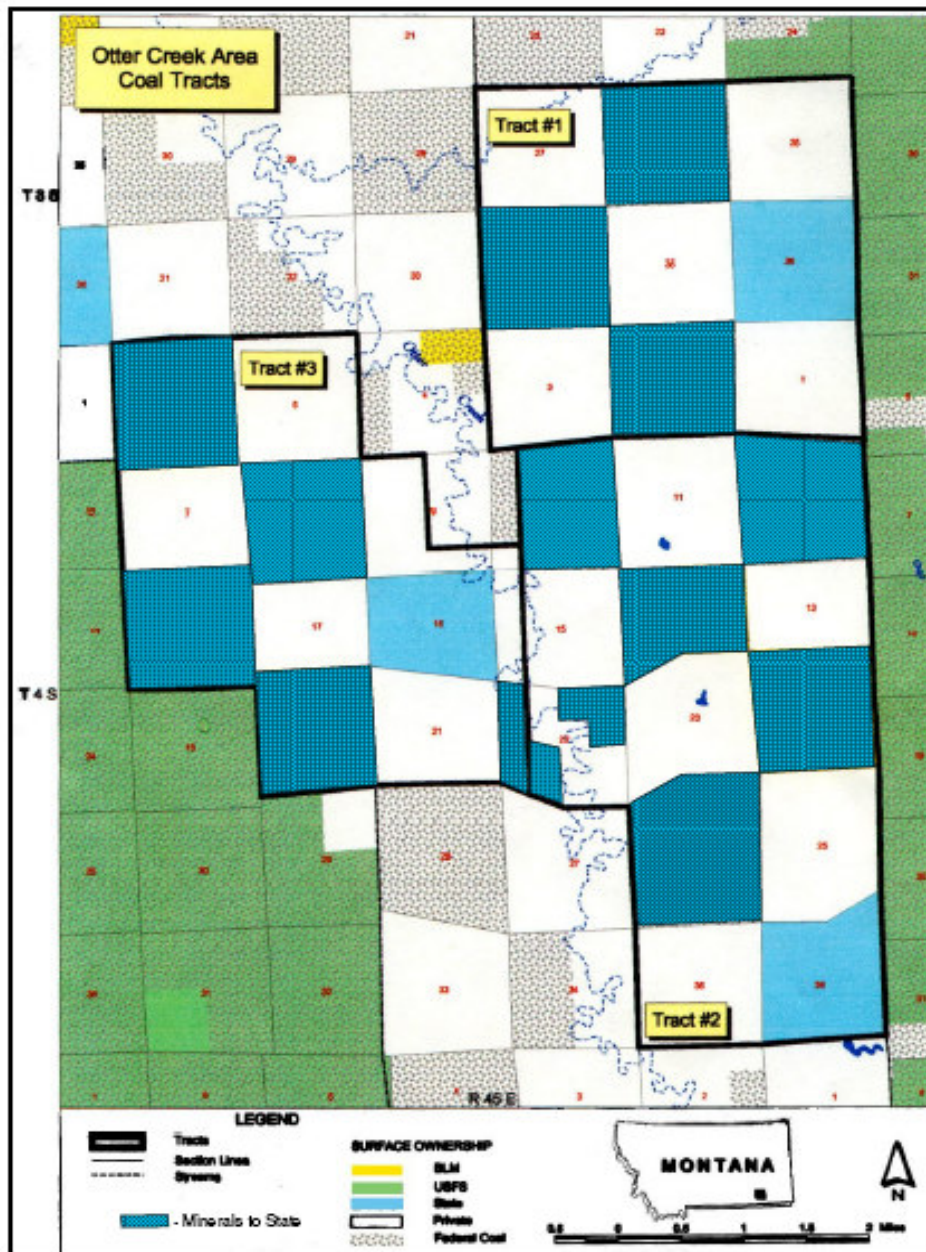
The map displays the Northern Powder River Basin in Montana, with coal resource areas highlighted in yellow. Key geographical features include the Yellowstone River, Snake River, and Powder River. Major cities such as Billings, Missoula, and Miles City are labeled. A large red circle indicates a +/- 50 mile radius. A green rectangle highlights the area around the Northern Cheyenne Indian Reservation and the Custer National Forest. The map also shows the Big Horn National Forest and the Custer National Forest. The title "Coal Resource – Northern Powder River Basin" is enclosed in a box at the top left.



COAL TONNAGES BY OWNER

	MMT
FEDERAL	1,054
PRIVATE	1,735
STATE	819
NCT	1,148
TOTAL	4,756

From CoalMont TRR information, 11/8/04



Otter Creek Project

- Checkerboard ownership – GNP/State (State is Common School Trust Land)
- Potential for three - four logical mining units
- 1.4 billion tons estimated recoverable reserves
- Total school trust share +/- 700 million tons, equivalent to \$700-900 million @ \$8-10/ton
- Coal Quality:
 - 8,500 – 8,600 Btu/lb.
 - 7-8% ash
 - 27% moisture
 - 0.3% sulfur
 - 0.6-1.4 lb. SO₂/mmBtu
 - 6.0-7.0% Sodium
- Distance to nearest rail transportation:
 - 46 miles to BNSF spur at Colstrip
 - 90 miles to BNSF main line at Miles City

New study incorporates old, new and previously unavailable technical information.

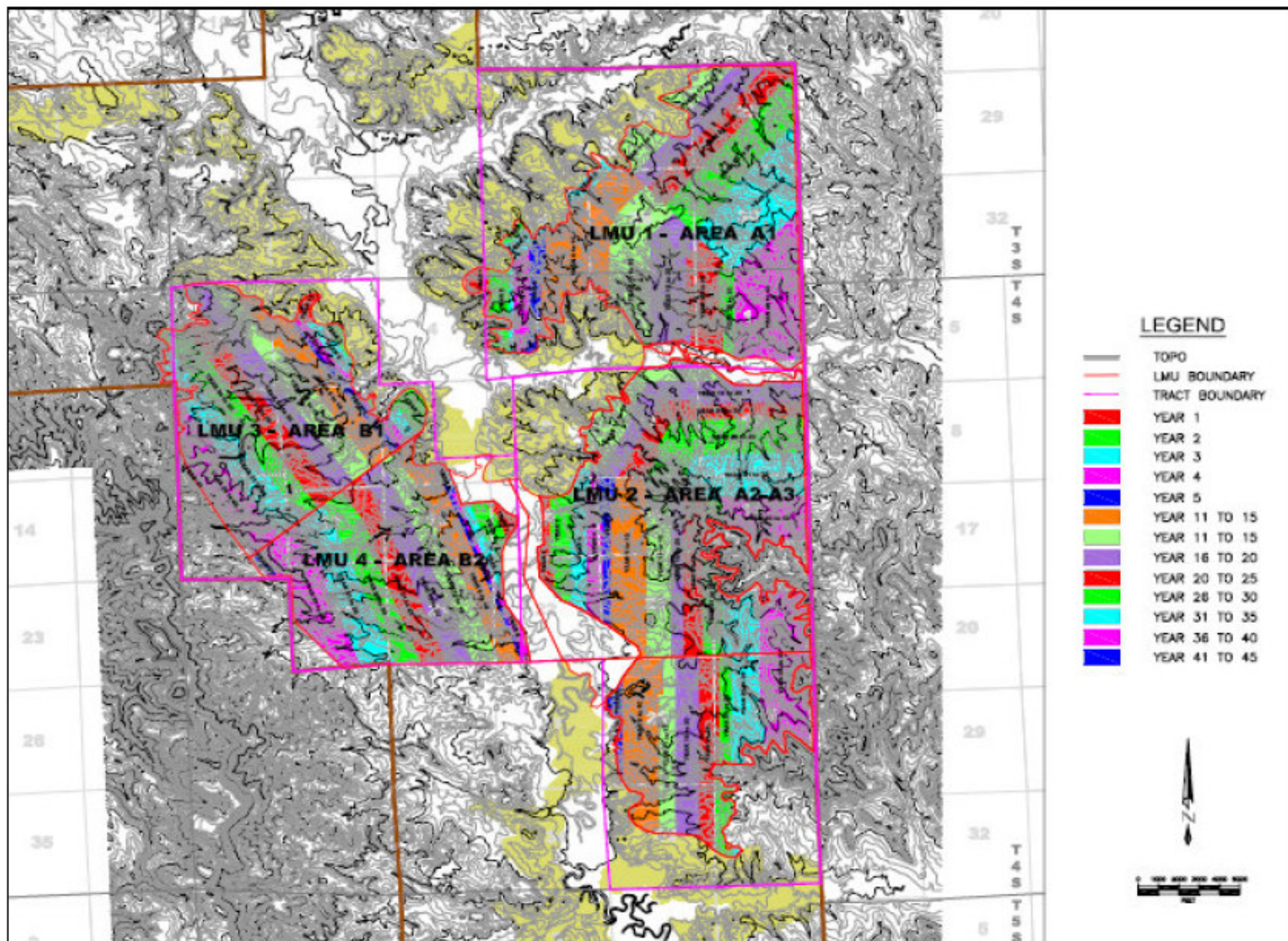
- Geologic modeling & coal resource analysis
 - Structure maps and cross-sections
 - Isopach maps by coal seam
 - Iso-contour maps and vertical variability tables for key coal parameters:
moisture content, ash content, sulfur sodium, btu content, etc
 - In-place resources by section and resource classification
- Mine evaluation, including LMU's and mine cost models
- Market/transportation review

Now available. Everyone on our mailing list from the first information disk will receive an updated version including the study

OTTER CREEK
PROPERTY SUMMARY
REPORT
Volume I of II

ENERGY, MINING, AND ENVIRONMENTAL CONSULTANTS

NORWEST
CORPORATION



Coal Quality Vertical Distribution Hole 24519-1C Knoblock Seam

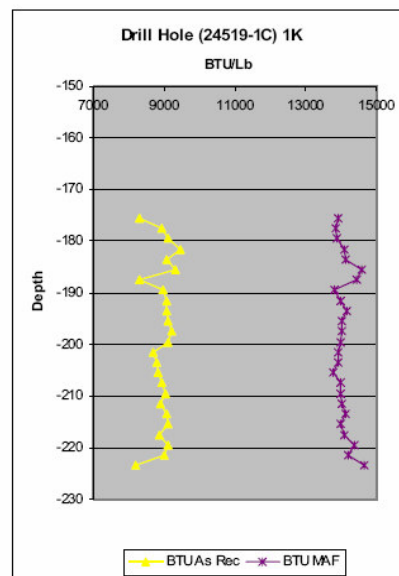
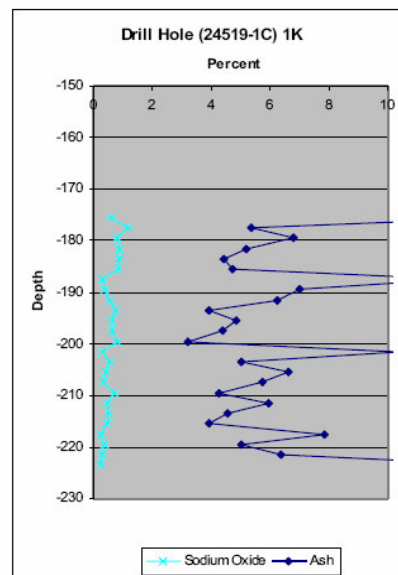
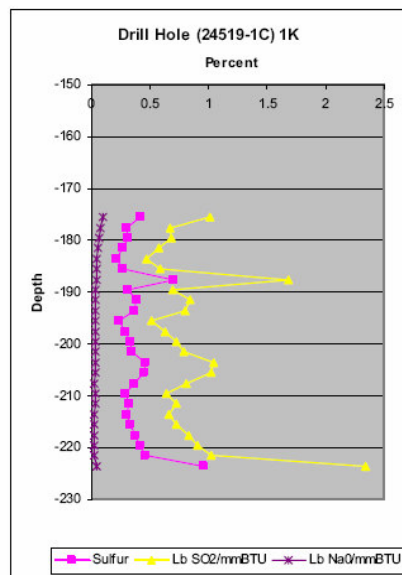
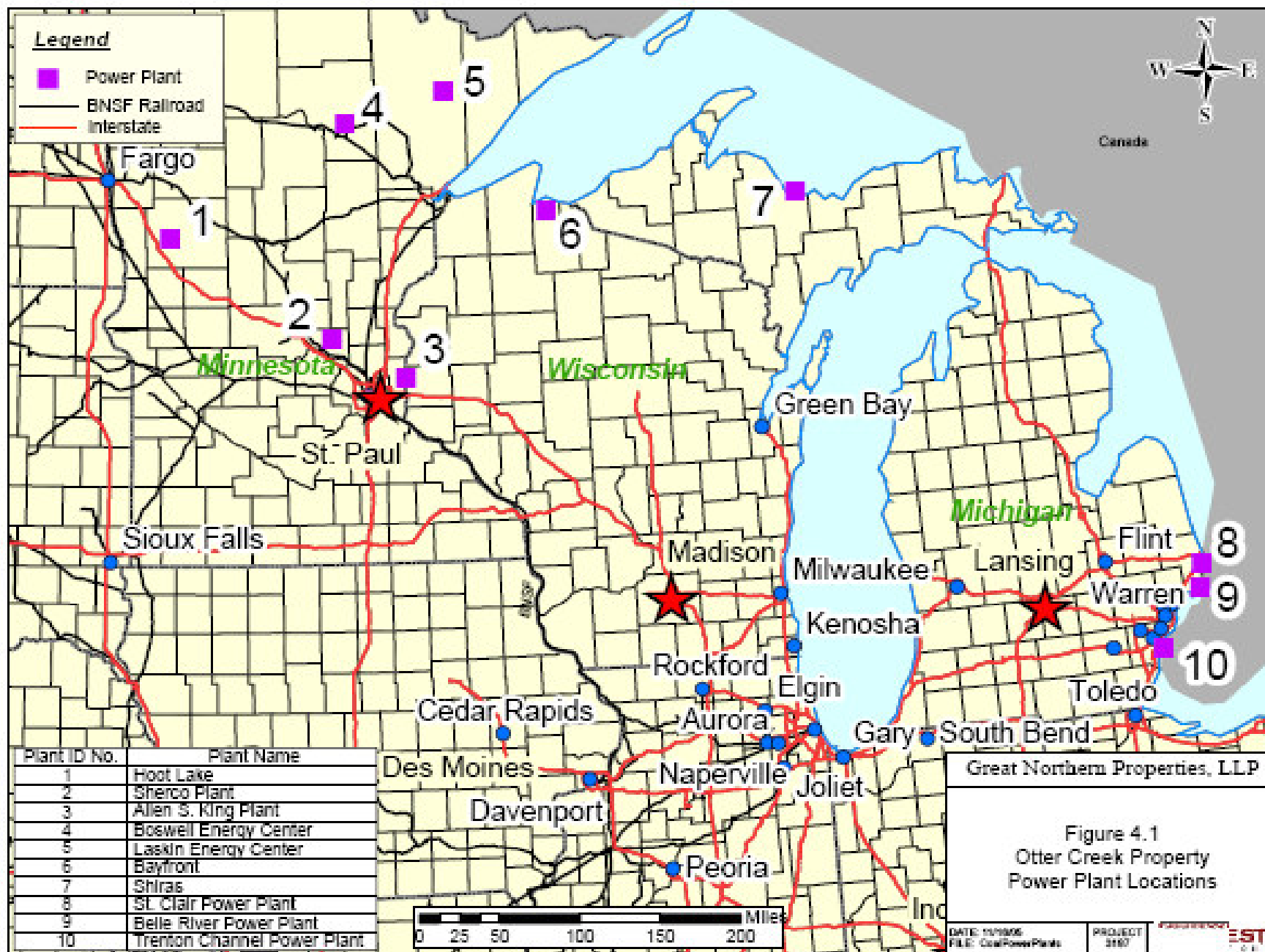


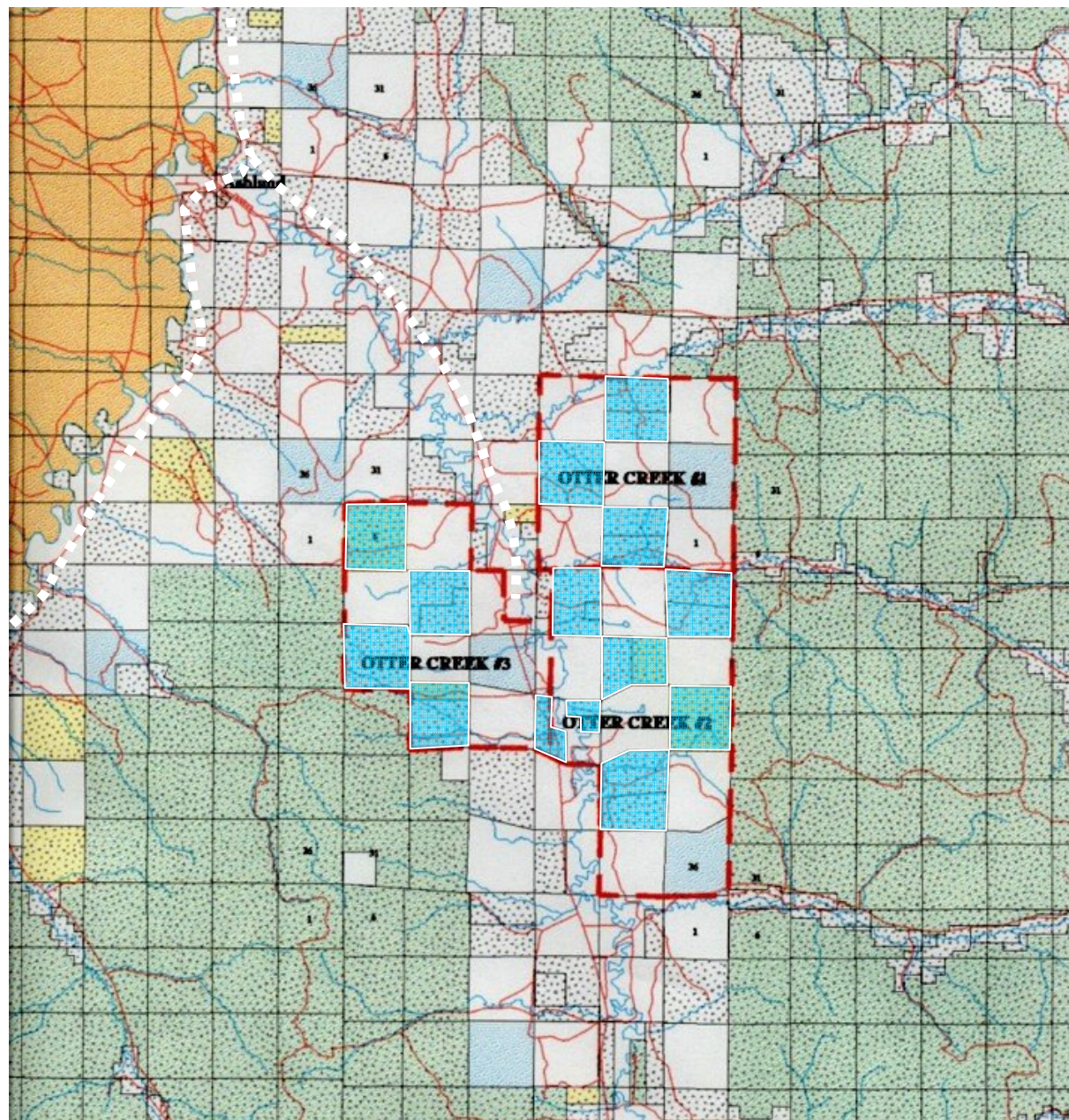
Table 3.4 Great Northern Properties LNU Mine Plan Volumes

	Units	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 to 10	Year 11 to 15	Year 16 to 20	Year 21 to 25	Year 26 to 30	Year 3
LNU 1 - AREA A1												
Coal Tonnage	TONS	3,500,000	8,500,000	8,500,000	8,500,000	8,500,000	42,500,000	42,500,000	42,500,000	42,500,000	42,500,000	42,500,000
In-Situ Dragline Volumes	BCY	5,700,000	16,500,000	20,000,000	18,200,000	18,900,000	104,000,000	104,000,000	92,200,000	94,300,000	98,300,000	100,100,000
In-Situ Truck-Shovel Volumes	BCY	200,000	600,000	2,200,000	1,200,000	3,100,000	2,600,000	33,700,000	15,500,000	19,500,000	34,000,000	70,000,000
Dragline Volumes with Rehandle	BCY	7,125,000	20,625,000	25,500,000	21,875,000	23,625,000	130,000,000	130,750,000	115,250,000	117,875,000	122,875,000	125,125,000
Truck-Shovel Volumes with Rehandle	BCY	210,000	630,000	2,310,000	1,260,000	3,255,000	2,825,000	35,385,000	16,275,000	20,475,000	36,540,000	73,500,000
Effective Strip Ratio	BCY : TON	2.10	2.50	3.27	2.84	3.16	3.72	3.91	3.09	3.26	3.75	4.4
LNU 2 - AREA A2 - A3												
Coal Tonnage	TONS	5,100,000	12,700,000	12,700,000	12,700,000	12,700,000	63,500,000	63,500,000	63,500,000	63,500,000	63,500,000	63,500,000
In-Situ Dragline Volumes	BCY	5,300,000	17,800,000	22,000,000	24,400,000	25,000,000	130,000,000	133,000,000	131,000,000	142,100,000	144,000,000	143,600,000
In-Situ Truck-Shovel Volumes	BCY	400,000	700,000	1,800,000	2,300,000	4,200,000	2,810,000	34,700,000	35,500,000	58,500,000	60,600,000	73,100,000
Dragline Volumes with Rehandle	BCY	6,625,000	22,250,000	27,500,000	30,500,000	31,250,000	163,000,000	166,250,000	163,875,000	177,625,000	181,000,000	179,500,000
Truck-Shovel Volumes with Rehandle	BCY	620,000	755,000	1,995,000	3,565,000	8,500,000	3,910,000	40,470,000	61,095,000	73,165,000	98,200,000	162,290,000
Effective Strip Ratio	BCY : TON	1.38	1.81	2.32	2.68	3.14	3.18	3.26	3.54	3.94	4.60	5.2
LNU 3 - AREA B1												
Coal Tonnage	TONS	2,600,000	6,000,000	6,000,000	6,000,000	6,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
In-Situ Dragline Volumes	BCY	5,200,000	13,400,000	16,200,000	16,140,000	13,028,000	66,000,000	89,028,000	89,028,000	91,968,000	108,612,000	111,590,000
In-Situ Truck-Shovel Volumes	BCY	100,000	300,000	823,810	823,810	928,571	7,576,190	15,742,857	23,000,952	26,323,810	45,919,048	52,200,000
Dragline Volumes with Rehandle	BCY	6,500,000	16,750,000	17,000,000	17,675,000	16,285,000	83,505,000	98,725,000	111,285,000	114,960,000	135,515,000	139,490,000
Truck-Shovel Volumes with Rehandle	BCY	105,000	315,000	865,000	865,000	975,000	7,955,000	16,530,000	24,235,000	27,648,000	48,215,000	54,810,000
Effective Strip Ratio	BCY : TON	2.75	2.84	3.11	3.09	2.88	3.85	3.84	4.52	4.75	6.12	6.4
LNU 4 - AREA B2												
Coal Tonnage	TONS	2,600,000	6,000,000	6,000,000	6,000,000	6,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
In-Situ Dragline Volumes	BCY	4,500,000	7,500,000	7,400,000	8,700,000	9,000,000	51,900,000	55,300,000	62,200,000	62,200,000	61,000,000	71,200,000
In-Situ Truck-Shovel Volumes	BCY	100,000	300,000	600,000	600,000	600,000	3,100,000	7,000,000	13,700,000	11,500,000	13,400,000	25,800,000
Dragline Volumes with Rehandle	BCY	5,625,000	9,125,000	9,250,000	10,875,000	11,250,000	64,875,000	69,125,000	77,750,000	77,750,000	77,250,000	89,000,000
Truck-Shovel Volumes with Rehandle	BCY	105,000	315,000	620,000	630,000	620,000	3,255,000	7,350,000	14,385,000	11,865,000	14,070,000	27,090,000
Effective Strip Ratio	BCY : TON	2.39	1.57	1.61	1.92	1.95	2.27	2.55	3.07	2.99	3.04	3.3
LNU 5 - AREA A1, A2 AND A3												
Coal Tonnage	TONS	8,600,000	21,200,000	21,200,000	21,200,000	21,200,000	106,000,000	106,000,000	106,000,000	106,000,000	106,000,000	106,000,000
In-Situ Dragline Volumes	BCY	11,000,000	34,300,000	42,000,000	42,700,000	43,900,000	234,000,000	237,600,000	223,300,000	236,400,000	243,100,000	243,700,000
In-Situ Truck-Shovel Volumes	BCY	600,000	1,100,000	2,200,000	2,700,000	4,600,000	30,200,000	36,900,000	37,600,000	60,400,000	62,700,000	75,200,000
Dragline Volumes with Rehandle	BCY	13,750,000	42,875,000	53,000,000	53,375,000	54,875,000	293,000,000	297,000,000	279,125,000	295,500,000	303,875,000	304,625,000
Truck-Shovel Volumes with Rehandle	BCY	630,000	1,285,000	4,305,000	4,825,000	11,835,000	67,545,000	75,855,000	77,370,000	93,640,000	134,830,000	235,790,000
Effective Strip Ratio	BCY : TON	1.67	2.09	2.70	2.75	3.15	3.40	3.52	3.36	3.67	4.14	5.1
LNU 6 - AREA B1 AND B2 COMBINED												
Coal Tonnage	TONS	4,800,000	12,000,000	12,000,000	12,000,000	12,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
In-Situ Dragline Volumes	BCY	9,700,000	20,700,000	21,600,000	22,840,000	22,028,000	118,700,000	134,280,000	151,228,000	156,168,000	170,212,000	182,790,000
In-Situ Truck-Shovel Volumes	BCY	200,000	600,000	1,223,810	1,423,810	1,328,571	10,676,190	22,742,857	36,700,952	37,623,810	59,319,048	78,000,000
Dragline Volumes with Rehandle	BCY	12,125,000	25,875,000	27,050,000	28,550,000	27,535,000	148,380,000	167,850,000	189,035,000	192,710,000	212,765,000	228,490,000
Truck-Shovel Volumes with Rehandle	BCY	210,000	630,000	1,285,000	1,495,000	1,395,000	11,210,000	23,880,000	38,620,000	39,595,000	62,285,000	81,800,000
Effective Strip Ratio	BCY : TON	2.57	2.21	2.36	2.50	2.61	2.66	3.20	3.79	3.87	4.58	5.1

Table 3.5 LMU 1 - A2 Mine Cost Model

	Block	Units	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 To 10	Year 11 To 15	Year 16 To 20	Year 21 To 25	Year 26 To 30	Year 31 To 35	Year 36 To 40	Year 41 +	Totals
PROJECT DATA																
Iron Production (000s)	550%	tonnage	3,634	5,941	5,941	5,941	5,941	44,311	44,311	44,311	44,311	44,311	44,311	44,311	211	352,171
Iron Ore (000s)		tonnage	3,700	5,900	5,900	5,900	5,900	43,900	43,900	43,900	43,900	43,900	43,900	43,900	200	348,100
WCY - DRAGLINE Production (000s)			1,120	19,000	24,500	23,700	24,700	133,025	131,875	134,625	134,375	132,025	131,750	131,500	375	948,375
WCY - TRUCK DRAGLINE Production (000s)			200	400	1,305	1,050	1,100	14,200	14,400	14,400	14,300	14,200	14,100	14,000	200	108,100
Total Costs (WCY + Iron)			1,620	27,500	24,500	23,140	26,600	195,905	186,540	200,700	196,100	188,225	185,850	185,500	575	1,056,475
Strip Ratio (WCY / ROM Ton)			0.45	4.64	4.14	3.95	4.49	4.33	4.24	4.56	4.47	4.46	4.45	4.44	2.74	
ROM Fe (00)			11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
ROM Fe (00)			0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
ROM Fe (00)			0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43	0.43
ROM Fe (00)			0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
CASH PRODUCTION COSTS																
Controllable Costs																
Labor Material and Supplies																
Oil Removal Drilling	0.00	\$/CY	2,130	5,300	5,300	5,300	5,300	36,510	36,510	36,510	36,510	36,510	36,510	36,510	110	290,510
Oil Truck - Short	0.40	\$/CY	84	80	80	80	80	572	572	572	572	572	572	572	54	4,572
Drilling & Repairs	0.20	\$/TON	1,154	5,111	5,111	5,111	5,111	45,411	45,411	45,411	45,411	45,411	45,411	45,411	276	421,731
Coal Loading - Roadways	0.20	\$/TON	870	2,025	2,025	2,025	2,025	14,175	14,175	14,175	14,175	14,175	14,175	14,175	36	113,725
Other Support Equipment	0.20	\$/TON	700	1,300	1,300	1,300	1,300	9,100	9,100	9,100	9,100	9,100	9,100	9,100	46	77,600
Other Supplies & Services	0.40	\$/TON	130	250	250	250	250	1,750	1,750	1,750	1,750	1,750	1,750	1,750	36	13,750
Coal Handling Plant	0.20	\$/TON	700	1,300	1,300	1,300	1,300	9,100	9,100	9,100	9,100	9,100	9,100	9,100	46	77,600
Reduction	0.00	\$/TON	100	300	300	300	300	2,100	2,100	2,100	2,100	2,100	2,100	2,100	36	16,100
Total Controllable Costs			5,138	13,319	13,319	13,319	13,319	92,772	92,772	92,772	92,772	92,772	92,772	92,772	394	742,772
\$/ALLES TON			1.39	2.24	2.24	2.24	2.24	2.09	2.09	2.09	2.09	2.09	2.09	2.09	1.87	
NON-CONTROLLABLE COSTS																
Black Long Tail	0.00	\$/Ton	100	2,000	2,000	2,000	2,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	40	103,000
Services & Tax	15.0%	% of Revenue	25,400	7,302	7,302	7,302	7,302	50,800	50,800	50,800	50,800	50,800	50,800	50,800	1,000	382,000
Gross Receipts Tax	5.0%	% of Revenue	8,133	2,387	2,387	2,387	2,387	16,916	16,916	16,916	16,916	16,916	16,916	16,916	330	141,131
Reduction Fee	0.10	\$/Ton	1,120	2,000	2,000	2,000	2,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	30	117,000
Reduction (Drilling/production)	0.10	\$/Ton	100	200	200	200	200	1,300	1,300	1,300	1,300	1,300	1,300	1,300	30	10,300
General Insurance	0.01	\$/Ton	100	200	200	200	200	1,300	1,300	1,300	1,300	1,300	1,300	1,300	30	10,300
Corporate Overhead + Joint Facilities	0.05	\$/Ton	500	2,500	2,500	2,500	2,500	16,250	16,250	16,250	16,250	16,250	16,250	16,250	75	141,250
Other	0.00	\$/Ton	240	1,200	1,200	1,200	1,200	8,400	8,400	8,400	8,400	8,400	8,400	8,400	20	75,600
Total Non-Controllable Cash Costs			34,460	49,400	49,400	49,400	49,400	324,000	324,000	324,000	324,000	324,000	324,000	324,000	1,400	1,244,000
\$/ALLES TON			8.40	8.31	8.31	8.31	8.31	3.59	3.59	3.59	3.59	3.59	3.59	3.59	6.64	
TOTAL CASH COSTS																
\$/ALLES TON			9.79	10.55	10.55	10.55	10.55	5.68	5.68	5.68	5.68	5.68	5.68	5.68	8.51	
NON-CASH COSTS																
Depreciation		\$/Ton	12,100	12,100	12,100	12,100	12,100	81,625	81,625	81,625	81,625	81,625	81,625	81,625	36,275	597,200
Total Non-Cash Costs			12,100	12,100	12,100	12,100	12,100	81,625	81,625	81,625	81,625	81,625	81,625	81,625	36,275	597,200
\$/ALLES TON			3.00	2.04	2.04	2.04	2.04	1.84	1.84	1.84	1.84	1.84	1.84	1.84	1.70	
TOTAL MINING COSTS																
\$/ALLES TON			12.79	12.59	12.59	12.59	12.59	7.52	7.52	7.52	7.52	7.52	7.52	7.52	10.21	
CAPITAL																
Land Acquisition	-															-
Permitting - Engineering	3,000															3,000
Exploration Drilling	3,000															3,000
Mine Facilities	9,000															9,000
Coal Handling Plant	10,000															10,000
Mine Surface Equipment and supplies	3,000															3,000
Drillage - 10 yd	-															-
Drillage - 110 yd	44,000															44,000
10 yd Rock Shovel	4,000															4,000
10 yd Rock Shovel	-															-
20 to 240 Ton Rock Trucks	13,000															13,000
20 yd Coal Shovelers	4,000															4,000
250 to 320 Coal Surface Dump Trucks	15,000															15,000
Mobile Equipment	13,000															13,000
Reduction Equipment	4,000															4,000





For more information, contact:

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